lished that the petitioner had so acted in relation to the said defaults, then he should be able to establish that he did not knowingly or wilfully authorize or permit the company to commit the said offences. In other words, if the petitioner had a good defence to the offences for which he is being charged, then he does not require any relief from this court. It seems to me that in a case where an officer has a defence to a criminal charge, this court ought not to arrogate to itself a jurisdiction which properly belongs to the magistrates' courts.

This leads me to the fundamental point as to whether s 391 was ever intended to apply to criminal offences. The use of the expression 'claim' in s 391(2) would suggest that relief is granted only for civil breaches of duty or defaults. It is true that in England, the courts have applied the equivalent provisions in the English Companies Act to grant relief against criminal sanctions: see *Re Barry and Staines Linoleum Ltd.*[4] However, in *Lawson* v *Mitchell,*[5] the Full Court of the Supreme Court of Victoria, after an exhaustive discussion of the history, the English provision and the English authorities, viz *Re Barry and Staines Linoleum Ltd*[4] and *Re Gilt Edge Safety Glass Ltd,*[1] came to the conclusion that the equivalent provision in the Victoria Companies Act 1961 did not apply to proceedings for an offence under the said Act. Counsel has not addressed me on this point. In view of my other findings, I will leave this point open for decision in some other application at some other time.

Counsel for the petitioner has also failed to appreciate that s 391 does not give to the court a special power of dispensation with regard to its orders or judgments. The court has no power under s 391 to relieve any person who is in default in complying with a court order from having to comply with it. It is tantamount to asking a court to abrogate or reverse its own order without an appeal and in the absence of the successful party. The petitioner should have appeared and defended the plaintiffs' claims in originating summons no 87/86 on the ground that he was under no liability or that if he were, he was entitled to relief. It is too late for him to attempt to do it in these proceedings. Paragraph (e) of the petition is entirely misconceived.

For the above reasons, the petition is dismissed.

Order accordingly.

Solicitors: *Hee Theng Fong & Co.*

Reported by *Wong Kim Fatt*

Tai Muk Kwai & Ors v Luen Hup Medical Company

HIGH COURT (SINGAPORE) – SUIT NO 1156/81
CHAN SEK KEONG JC
13 MAY 1988

Trademarks – Copyright – Rival claim of ownership of trademarks – Goods manufactured by plaintiffs and exclusively sold and distributed by defendant as sole importer – Whether assignment of trademarks confers ownership thereof – Passing off – Defence of bona fide purchaser for value without notice

This is a claim by three non-resident plaintiffs against the defendants, a Singapore firm, for (a) a declaration that they or one or more of them are the beneficial proprietors of two trademarks nos 56886 and 58670 registered in the name of the defendants in respect of medicinal products; (b) an order directing the defendants to cause the trademarks to be vested in the plaintiffs; (c) damages for passing off; (d) damages for infringement of copyright; (e) an injunction to restrain the defendants from applying a false description to the pills as being manufactured by the first plaintiff; and (f) various other ancillary reliefs.

The first plaintiff (a firm) has been manufacturing Chinese medicinal products in Taiwan, including certain rheumatism pills sold in Taiwan and Hong Kong and known as 'Nan Lien Chuifong Toukuwan' ('the Chuifong pills'). In 1972, the first plaintiff set up a factory in Hong Kong to manufacture, inter alia, the Chuifong pills. The first plaintiff has been selling its products through Shey Fon Trading ('Shey Fon') in Hong Kong, which was described as a subsidiary of the first plaintiff. In 1975, the business of Shey Fon was taken over by the second plaintiff. The third plaintiff (a firm) was also a manufacturer and dealer of pharmaceutical products. Its proprietor is Shu Jann Yuen (PW1), the brother of Shu Jann Chang (PW2) who was the proprietor of Shey Fon, and, at the date of hearing, the director of the second plaintiff and also the manager of the first plaintiff. The third plaintiff, based in Taiwan, also supplied the Chuifong pills to Shey Fon in Hong Kong. All the plaintiffs, since 1972, have had a common interest in the Chuifong pills and their brand name.

In 1972, one Ong Kim Cheng ('Ong'), a Singapore resident, approached the third plaintiff for the rights to export the Chuifong pills to Singapore and Malaysia. At that time, the Chuifong pills were already known as Nan Lien Chuifong Toukuwan in Taiwan and Hong Kong. Ong, through his company ('Ultra'), was allowed initially to sell the pills in Singapore and Malaysia.

On 21 November 1972, Ultra informed Shey Fon that it had expanded the market for Chuifong Toukuwan through the distribution network of the defendants. Subsequently, Ultra obtained registration of two trademarks relating to the products in question with the consent or acquiescence of one or more of the plaintiffs although none of them required Ultra to register the trademarks in their names. An agency agreement dated 12 April 1973 was subsequently entered into between Shey Fon and Ultra with the third plaintiff's signature appended. Ultra was appointed the sole agent for Singapore, Malaysia and Indonesia for three years.

Eventually, in 1974, Ultra gave up its agency rights to the defendants who then became the sole agents/distributors for the region. On 4 November 1974, Ultra and the defendants signed an agreement whereby Ultra assigned its pending five

trademark applications to the defendants for consideration. In January 1976 four agency agreements between the first plaintiff and the defendants were sent to the defendants. None of the agreements was signed. In spite of this, the plaintiffs continued to regard the defendants as the sole importers of Chuifong Toukuwan for the designated territories.

In 1980, the plaintiffs discovered that Chuifong pills not manufactured by them were being sold in Singapore. The defendants subsequently admitted manufacturing the said pills and had been selling the product under the two trademarks (nos 56886 and 58670), Chuifong Toukuwan, made by Nan Lien Pharmaceutical Sdn Bhd since January 1980. On 26 March 1981 Shey Fon terminated the agency regarding the Chuifong pills on the ground that the defendants had breached the terms of the agency agreement. The plaintiffs commenced these proceedings on 9 April 1981. The defence of the defendants to the plaintiffs' claim to ownership of the trademarks is that they belonged absolutely to Ultra as importers' marks and that they had purchased the trademarks for value in good faith without notice of the trademarks. The issues before the court were: (a) whether the plaintiffs or the defendants are the beneficial owners of the two trademarks nos 56886 and 58670; and (b) if the defendants were the beneficial owners, whether they could apply the marks to the pills manufactured by them for sale as 'Nan Lien Chuifong Toukuwan'.

Held, allowing the plaintiffs' claim: (1) On the facts, the evidence is that at the time when Ultra registered the two trademarks Ultra had no claim to ownership but merely a limited right to have the use of the trademarks for the duration of its agency as the sole importer of the goods.

(2) The defence of 'bona fide purchaser for value without notice of the said trademarks' failed as such defence does not exist in so far as the acquisition of a trademark is concerned. Furthermore, the defendants were aware that whoever got the agency was entitled to use the trademarks in connection with the goods. Whatever rights the defendants (assignees) had in the trademarks could not exceed the rights that Ultra (assignor) had in them.

(3) The defendants must be restrained from using the trade marks to pass off their own pills as Nan Lien Chuifong Toukuwan as such intended use was and would be likely to deceive or cause confusion among the public as to the origin of the pills sold by them.

(4) The plaintiffs or one or more of them were and still are the owners of the registered trademarks nos 56886 and 58670 which must be assigned forthwith to them. Other ancillary reliefs sought were also granted.

Cases referred to

1 *Re Inescourt's Trade Mark (Le Vampire)* (1928) 46 RPC 13 (refd)
2 *North Shore Toy Co Ltd* v *Charles L Stevenson Ltd* (1974) 91 RPC 545 (refd)
3 *Thunderbird Products Corporation* v *Thunderbird Marine Products Pty Ltd* (1974) 131 CLR 592 (refd)
4 *Re Diehl Trade Mark* [1968] FSR 571 (distd)
5 *Re The Australian Wine Company Ltd* (1889) 61 LTNS 427 (folld)

G Raman (*P Balachandran* with him) for the plaintiffs.
Tan Tee Jim for the defendants.

Cur Adv Vult

Chan Sek Keong JC: This is a claim by three non-resident plaintiffs against the defendants, a Singapore firm, for (a) a declaration that they or one or more of them are the beneficial proprietors of two trademarks nos 56886 and 58670 registered in the name of the defendants in respect of medicinal products; (b) an order directing the defendants to cause the trademarks to be vested in the plaintiffs; (c) damages for passing off; (d) damages for infringement of copyright; (e) an injunction to restrain the defendants from applying a false description to the pills as being manufactured by the first plaintiff; and (f) various other ancillary reliefs as set out in the statement of claim.

The defendants in their defence claimed that they were the rightful owners of the said trademarks, denied any breach of copyright and denied having applied any false description to the goods in question.

The facts

I find the following facts established by the testimonies of the witnesses called by the rival parties and from the documentary evidence set out in the agreed bundle of documents (AB1-39), the plaintiffs' bundle (PB1-284) and the defendants' bundle (DB1-71) and other documents and materials admitted in evidence during the trial.

The first plaintiff has been manufacturing Chinese medicinal products in Taiwan before 1962. One such product was rheumatism pills which were sold in Taiwan and Hong Kong as 'Nan Lien Chuifong Toukuwan' (meaning 'chase away wind from within the bones' pills) (herein called 'the Chuifong pills'). In 1972, the first plaintiff set up a factory in Hong Kong to manufacture, inter alia, the Chuifong pills. The first plaintiff has been selling its products through Shey Fon Trading ('Shey Fon') in Hong Kong. Shey Fon was described as a subsidiary of the first plaintiff in 1974 (see D1T). In 1975, the business of Shey Fon was taken over by the second plaintiff.

The third plaintiff was also a manufacturer and dealer of pharmaceutical products. The proprietor is Shu Jann Yuen (PW1), the brother of Shu Jann Chang (PW2) who was the proprietor of Shey Fon, and at the date of hearing the director of the second plaintiff and also the manager of the first plaintiff. The third plaintiff which was based in Taiwan also supplied the Chuifong pills to Shey Fon in Hong Kong.

It would appear that since 1972 all the plaintiffs have had a common interest in the Chuifong pills and the brand name under which they were sold, but being members of the same family had not bothered to document their respective rights therein.

In 1972, one Ong Kim Cheng, a Singapore resident, who had heard of the efficacy of the Chuifong pills from a friend, approached the third plaintiff for the rights to export the Chuifong pills to Singapore and Malaysia.

At the time, the Chuifong pills were already known as Nan Lien Chuifong Toukuwan in Taiwan and Hong Kong. After discussions between Ong and the second and third plaintiffs, Ong through his company Ultra Service Agency Pte Ltd ('Ultra') was allowed to sell and he brought the pills into Singapore on a trial basis. Initially, the pills were sold in Singapore and Malaysia as Nan Lien Chuifong Toukuwan in bottles packed in a box (exhibit P1) containing 60 pills. The trial sales must have been sufficiently encouraging for Ong to request that the pills be marketed in Singapore in a newly designed box (P2). On 19 September 1972, Shey Fon in a letter (PB245) referred to Ultra's order for 500 dozen Chuifong Toukuwan placed by Ultra on 7 September 1972. On 18 November 1972, Ultra advertised (PB242) in the *Shin Min Daily News*, a Singapore newspaper, about the pills packed in the new box (P2). The advertisement also claimed that Chuifong Toukuwan was widely circulated in Southeast Asia and represented Ultra as sole agent and the defendants as sole distributor for Singapore, Malaya, Sabah and Indonesia.

On 21 November 1972 (PB241), Ultra informed Shey Fon that it had expanded the market for Chuifong Toukuwan through the distribution network of a big local wholesaler viz the defendants. Even at this time, the defendants being the sole local distributor of Ultra for the Chuifong pills, were aware of the origin of the pills and the brand name under which they were marketed.

On 26 January 1973, Ultra applied for and subsequently obtained registration of a trademark (AB2 No 56886) in the form of a design showing two sides of a box (P2) in which appeared the words 'Nan Lien' in English on the left hand side and in Chinese on the right hand side. Ultra applied for and subsequently obtained registration of the same marks in Sabah on 30 January 1973 (AB7 No 16239), in Sarawak on 1 February 1973 (AB11 No 11627) and also in Indonesia (AB9 No 112103) on 6 February 1973. Ong registered these marks with the consent or acquiescence of one or more of the plaintiffs although none of them required him to register them in their names. By 9 January 1973 (see PB192) Shey Fon was prepared to regard Ultra as the de facto sole agent for the product in Southeast Asia and certainly Ultra so regarded itself by applying for registration of the said trademark (AB2). This position was subsequently formalized in an agency agreement dated 12 April 1973 (P257) ('the agency agreement') made between Shey Fon and Ultra, to which the third plaintiff also appended its signature in order to be bound by its terms. Ultra was appointed the sole agent for Singapore, Malaysia and Indonesia for a period of three years.

The newly designed box (P2) was made and used at the request of Ong as early as September 1972, if not well before, because Ong wanted to protect his territorial rights for the sale of the Chuifong pills. He did not want to import the Chuifong pills packed in P1 because of the potential competition from parallel imports. So Ong requested and Shey Fon agreed to change the bottle and the original design of the box (P1) for the Singapore market, two faces of which are annexed to the agency agreement. One face of the box has a circle containing the words 'Chuifong Toukuwan' with the name 'Nan Lien' appearing on the top left hand corner thereof. The corresponding side has the same information except that Chuifong Toukuwan was in Chinese. Both faces contained the words 'Nan Lien Pharmaceutical Co' originally in English (until it was changed into Chinese in December 1976 (see PB183)). The pills were sold in lots of 60 each in a glass bottle which had a label containing the brand name 'Nan Lien' in English, the words 'Chuifong Toukuwan' in both English and Chinese and the name of the first plaintiff in English. The cap of the bottle was secured with a white plastic band in which was printed the mark 'Nan Lien' in a stylized form. Each bottle also came with a leaflet containing information in three languages, English, Chinese and Malay, on the chemical composition of the pill and its curative effect on rheumatism. The leaflet (P2B) also referred to the name of the first plaintiff as the manufacturer, Shey Fon Trading as the chief agent and Ultra as the sole agent in Singapore. The design of P2 was suggested by PW1. It was based on another design of a box (exhibit P3) which was then used by PW1's firm Miao-An Tang Pharmaceutical Co, also a manufacturer of pharmaceutical products. The similarities in the get up of P2 and P3 are obvious. Ong accepted the design with the necessary changes to reflect the product he was selling, ie the inclusion therein of the brand name 'Nan Lien' and the description of the product as Chuifong Toukuwan and the name of the first plaintiff. The leaflet (P2B) was copied from another leaflet that was used in the marketing of Chuifong pills in exhibit P1 with similar changes. A Malay translation was provided subsequently for sales in the Singapore and Malaysian markets.

It may therefore be said and I find that during the period 1972 up to the time that the two trademarks were registered, the origin of the product as well as the brand name of Chuifong Toukuwan must have been well known to consumers in this region. Since Ultra was referred to as the sole agent, the defendants as the sole distributor and the first plaintiff was referred to as the manufacturer, in the advertisements as well as packaging of the pills, I do not think that Ultra or the defendants could claim that the reputation of Nan Lien Chuifong Toukuwan was associated exclusively with either or both of them. In this respect, I would add that no independent witness has testified that the said pills were associated

exclusively with either Ultra or the defendants or both of them.

For about nine months after the signing of the agency agreement, Ultra was able to bring into Singapore large quantities of Chuifong pills. The product was advertised by Ultra in the newspapers and the cinema and it sold well. In August 1973, Ultra applied for and subsequently obtained registration of a stylized design of the Chinese characters 'Nan Lien' as a trademark in Singapore (AB1 No 58670). This was done with the consent or acquiescence of all or some of the plaintiffs but none of them required him to register the said mark in their names.

Sometime in early 1974, Ultra's interest in the Chuifong pills began to wane due to a combination of various factors, among which were: (1) problems resulting from the inability of Shey Fon to supply pills which conformed with the regulatory standards in Singapore and Malaysia resulting in the temporary banning of imports of Chuifong pills into Singapore; (2) competition from other imported brands of rheumatism pills; (3) dispute with Shey Fon regarding the volume of sales and the number of outlets and also regularity in payments; (4) Shey Fon's inability to provide proper certificates from the appropriate health authority to the Indonesian health authorities; (5) complaints from customers because of changes in packing and poor appearance of pills.

In about March 1974, Ultra decided to give up its agency rights under the agency agreement although it would not expire until 5 November 1977. When Ong's intention became known, many dealers came to see him for the agency rights. He wanted to retain his commission under the agency agreement but none of the prospective agents (including the defendants and Wing Nam Heng) and the plaintiffs would agree. Negotiations were deadlocked as a result of which the defendants suggested to Shey Fon to terminate Ultra's agency (see PB152). A joint venture between the defendants and Shey Fon appeared to have been proposed. Shey Fon was also anxious to appoint the defendants as sole agent as soon as convenient. In June 1974 (see D1T) Shey Fon suggested that the defendants resolved the matter of the agency with Ultra before Shey Fon could do business with the defendants. Eventually, in November 1974, Ultra gave up its agency rights to the defendants who then became the sole agent/distributor for the region. On 4 November Ultra and the defendants signed an agreement (AB15) whereby Ultra agreed to assign its five pending trademark applications to the defendants ('the assignment') for the sum of $5,000 payable in two equal instalments. Clause 3 of the assignment provided as follows:

> In consideration of the firm entering into this agreement prior to the approval of the registration of the trademark the company hereby agrees to allow the firm to purchase from the said manufacturing company for sale and distribution of the said brand of Chinese medicine known as Chuifong Toukuwan together with the trademark pending approval and the box and other documents in which it is being packed in all the territories described above and the company hereby agrees and undertakes upon the signing of this agreement not to carry on the business in the purchase, sale and distribution of the said brand of Chinese medicine Chuifong Toukuwan in all the territories described above.

Ong assigned the applications for registration of the trademarks because the marks were useless to him without an agency or a product to sell under. Ong's understanding regarding the ownership of the trademarks was that they were only to be used by Ultra in the designated territories for Chuifong Toukuwan for the duration of Ultra's agency. He testified that he had pointed this out to Chu and had agreed to the assignment only because Chu had informed him that the defendants had received the approval of Shey Fon to take over the agency. Ong said that he made no representation to Chu that Ultra was the beneficial owner of the trademarks under application. As for the consideration, he had only asked for reimbursement at cost. Chu's testimony was that Ong represented that Ultra was the owner of the trademarks and also the design of P2. On this aspect of the case, I find the evidence of Chu highly improbable in the circumstances of the case. I find that Ong had not claimed to be the absolute owner of the trademarks and the design but only as an authorized user for the duration of his agency. This conclusion is supported by the tenor of the assignment. There is no recital in the assignment that Ultra was or claimed to be the owner of the trademarks. Clauses 1 and 5 of the assignment are expressed in terms which suggested that Ong was not even sure that he would succeed in obtaining registration of the five trademarks. This is not consistent with the position of someone who was claiming or is alleged to have represented that he was the owner of the trademarks. Furthermore, the consideration for the assignment was limited to his cost of registration with no premium being placed on their value in terms of absolute ownership. Finally, cl 15 of the agency agreement provided that during the term thereof P2 would be solely and exclusively *represented* by Ultra in the controlled areas and Shey Fon shall not use the same for packing the goods for sale in Hong Kong, Taiwan or elsewhere except to Ultra. Clause 15 merely gave Ultra an exclusive but limited right to use the packaging in the form of P2 and not to a right to the brand name of the plaintiffs' products. The fact was that Ong knew that he was not the owner of the trademarks.

In arriving at this conclusion, I have also taken into account the fact that on 21 June 1974 (D1T), Shey Fon had requested Chu to resolve the agency problems with Ong and acknowledged that Ultra had registered 'the patent right of the paper box'. I do not find that this

reference amounted to an admission that Ultra was the owner of the design of P2 or of the trademarks. The whole tone of the letter suggested that if Chu wished to do business with Shey Fon, certain problems with Ultra had to be resolved. At the same time, Shey Fon expressed the view that in law there was nothing to worry about if there was trouble with Ultra. There was nothing in this letter which admitted that Ultra owned the design of P2. The letter had not referred to the trademark 'Nan Lien' nor could it be read as a representation to Chu that Ultra owned the trademarks.

The defendants appeared to have secured the agency for the Chuifong pills sometime in April 1974 (see PB172). In November 1974, Shey Fon sent a draft agency agreement (PB262-265) to the defendants for signing. The defendants could not agree to the terms and counter proposed terms as set out in PB248-256 sent on 17 December 1974 (see PB247). Clauses 16 and 17 of the defendants' draft agreement which were not in the Shey Fon's draft are significant because (a) they referred to the pills as Nan Lien Brand Chuifong Toukuwan then packed and sold in P2 and (b) the defendants intended to bind all the three plaintiffs to the agreement. On or about 1 January 1975, Shey Fon sent another agency agreement (PB93) to the defendants for signing. Clause 9 of this draft was substantially the same as cl 16 of the defendants' draft. It would also appear that in January 1976 an agency agreement between the first plaintiff and the defendants was prepared (PB169) and sent to the defendants. None of the four agreements was signed. In spite of this, the plaintiffs continued to regard the defendants as the sole importers of Chuifong Toukuwan for the designated territories.

The plaintiffs and the defendants had a substantial business relationship from 1974 to 1981. The value of Chuifong Toukuwan imported by the defendants was as follows: 1974 – HK$72,000; 1975 – HK$184,320; 1976 – HK$299,520; 1977 – HK$466,560; 1978 – HK$342,900; 1979 – HK$612,300; 1980 – Nil.

Nevertheless, the relationship was not an entirely smooth relationship. Dissatisfaction surfaced in 1976 (see DB8E-8L). On 29 June 1976, the second plaintiff, in a letter to the defendants (DB9D), complained that Chu made an 'erroneous' statement that because the defendants had obtained registration of the package pattern (a reference to AB2), the defendants were free to manufacture their own products (presumably for sale under AB2). This letter is sufficient proof that the plaintiffs were aware or ought to have been aware that the defendants had secured or claimed to have secured the registration, directly or indirectly, of the two trademarks in the defendants' name but it also showed that the second plaintiff did not accept the claim that Chu could manufacture for sale Chuifong Toukuwan under those trademarks. In fact, the defendants became the registered proprietor pursuant to the assignment on 9 June 1976 (see AB3).

On 22 August 1976, the defendants published a warning notice (DB12B) in the *Sin Chew Jit Poh* warning persons of infringements of the defendants' trademarks as well as imitation Chuifong pills. Both the first plaintiff and the second plaintiff immediately wrote to the defendants to demand an explanation as they were suspicious that the defendants had an ulterior motive (DB13C and DB13E). The defendants' solicitors replied on 1 September 1976 (P13) that certain Chuifong pills had been sold under the trademark 'Nan Lien' of which the defendants were the registered owners and the notice was published to warn the public and violators of the defendants' rights in the product.

Sometime at the end of December 1976 (PB183), the defendants requested the first plaintiff to make certain changes to P2 ie (i) the word 'Nan' should read 'Nam' as 'Nan' could only be used up to April 1976; and (ii) the name of Nan Lien Pharmaceutical Co printed on the boxes (P2) be substituted by the words 'Sole Importer Luen Hup Medical Co'. These requests were made on the basis that the words 'Nam Lien' and not 'Nan Lien' were registered as the trademark. The first plaintiff refused (AB24B) the first request and in lieu thereof agreed to have this printed in Chinese (presumably because in Chinese 'Nam' was the same as 'Nan'). The first plaintiff agreed, however, to change the name 'Nan Lien' to 'Nam Lien' but at the same time reminding the defendants that the full name of the product was Nan Lien Chuifong Toukuwan. This letter shows that P2 was not the original box designed for Ultra and that even the design shown in PB260 had also been changed in so far as PB260 shows the name of the first plaintiff in Chinese.

On 22 April 1977, the first plaintiff wrote to the defendants (DB28C) complaining of losses in currency exchange and late payments. Things took a turn for the worse when, on 7 May 1977 (DB30H), the first plaintiff wrote an angry letter to the defendants for having made unfounded accusations on various matters. After 1977, the acrimony between the parties died down and they continued to do business with each other.

Then in 1980, the plaintiffs discovered that Chuifong pills not manufactured by them were being sold in Singapore.

On 11 February 1980, the plaintiffs' solicitors in Hong Kong wrote to the defendants complaining that the plaintiffs' product, including the box and the leaflet had been tampered with and requested an investigation (see AB39). PW3 and PW2 came to Singapore in July 1980 to investigate. They went to some medical shops and bought some Chuifong pills marketed in P2. They disco-

vered that the pills were imitations. PW3 asked the defendants to explain how the faked products came to be marketed in Singapore and Chu admitted manufacturing the said pills. In their defence, the defendants have pleaded that since January 1980, they have been selling under the two trademarks Chuifong Toukuwan made by Nan Lien Pharmaceutical Sdn Bhd.

In his evidence, Chu said that the pills were not made in Johor but in Singapore by his company.

On 26 March 1981, Shey Fon, through its solicitors, sent a notice (DB69) to the defendants to terminate the agency regarding the Chuifong pills with immediate effect on the ground that the defendants had breached the terms of the agency agreement.

On 9 April 1981, the plaintiffs commenced these proceedings. The issues before me are as follows:

(1) Whether the plaintiffs or the defendants are the beneficial owners of the two trademarks nos 56886 and 58670.

(2) If the defendants were the beneficial owners, whether they could apply the marks to the pills manufactured by them for sale as 'Nan Lien Chuifong Toukuwan'.

There is a claim by the plaintiffs based on copyright of the design of the box (P2) and also in the leaflet. I am not satisfied that the plaintiffs or any of them have copyright in either P2 or P2B as they were substantially the same as those which had been used (and therefore published) in Taiwan long before they were first published in Singapore. There is also a claim under the Consumer Protection (Trade Descriptions and Safety Requirements) Act (Cap 53, 1985 Ed) but as no argument was advanced by counsel for the plaintiffs in this respect, I assume that it has been abandoned.

Ownership of trademarks

Rival claims between manufacturers and sole importers to trademarks used in connection with goods manufactured by the first and exclusively sold and distributed by the second are not uncommon, but as stated in 48 *Halsbury's Laws of England*, 4th Ed, para 28: 'Generally, but not always, these are resolved in the manufacturer's favour ...'

The plaintiffs or one or more of them claim that Ultra applied to register the two trademarks on behalf of and for the benefit of the plaintiffs from the start ie an immediate trust was created. In my view, the evidence showed that Ong applied to register the marks in the name of Ultra, with the consent or acquiescence of the plaintiffs for his own benefit for the duration of his agency in the same way that he requested that the bottle, the box and the leaflets be designed to protect his agency rights in Singapore and Malaysia. However, I have no reason to disbelieve his evidence that his intention was not to claim absolute ownership of but merely a limited right to have the use of the mark as well as the design of the box (P2), the bottle and the leaflet for the duration of his agency as the sole importer of the Chuifong Toukuwan. Although the plaintiffs did not object to such registration in the name of Ultra, they also did nothing which could suggest to Ong that they were giving away their rights to the brand name of Nan Lien or to the design of the box (P2) to Ong absolutely.

There is indisputable evidence that there was a substantial user (see PB233, PB242-243 and PB245) of the word mark 'Nan Lien' and the design mark in respect of Chuifong Toukuwan in Singapore prior to the registration of the two trademarks. Certainly in 1972-73, both the defendants and other retailers (eg PW4) were aware of the reputation of Nan Lien Chuifong Toukuwan, their origin and the names of the manufacturer and the suppliers. There was a sufficient prior use of the word mark 'Nan Lien' and the design mark in Singapore for the first plaintiff to have prevented Ultra from making any claim to the ownership to and registration of the said marks in Ultra's name if it had wanted to at the relevant time. If Ultra had purported to claim an absolute ownership of the said marks, it would have been a wrongful claim: see *Re Inescourt's Trade Mark (Le Vampire)*[1] and *North Shore Toy Co Ltd* v *Charles L Stevenson Ltd*;[2] *Thunderbird Products Corporation* v *Thunderbird Marine Products Pty Ltd.*[3]

In the *Thunderbird* case,[3] the High Court of Australia held, where the applicant, an American company, had sold a model of a power boat to an Australian company and the correspondence between them leading up to the sale contained the word 'Thunderbird' placed in such a way as to show that it was intended as a trademark, the High Court of Australia held that the Australian company was not entitled to register the mark as its own and that knowledge acquired by a single importer that an article sold to him has a distinctive mark was sufficient to give distinctiveness to that mark in the Australian market.

The defence of the defendants to the plaintiffs' claim to ownership of the trademarks is that the marks belonged absolutely to Ultra as importers' marks and that they had purchased the same from Ultra for value in good faith without notice of the trademarks. It was submitted that Ultra had claimed to be the owner of the marks and had so represented to the defendants and that before and after the date of the assignment, the Chuifong Toukuwan have been sold and advertised in Singapore by Ultra or the defendants for the importer's benefit as a result of which both the word mark and the design mark no longer signified to the trade and the public that Chuifong Toukuwan sold by the defendants were rheumatism pills manufactured and exported by the plaintiffs but pills of the defendants.

Counsel for the defendants submitted that his clients' position was supported by the decision of *Re Diehl Trade Mark*.[4] In that case, the applicant, a German company Diehl KG, failed to remove from the register the mark 'Diehl' which had been registered by the respondents, an English company called 'Diehl Calculating Machines Ltd' (which name was registered with the consent of the applicants). The respondents were the sole importers in the United Kingdom of calculating machines manufactured by the applicants in Germany which were sold as 'Diehl' calculating machines. The sole agency commenced in November 1953. Prior to that, the applicants had not sold any machine in England and had not acquired any proprietorship in the mark. Substantial business was done under the sole agency agreement. The respondents promoted the calculating machines extensively in the United Kingdom and their name came to be associated with the supply of these machines under the name 'Diehl'. In 1956, the respondents applied without the consent of the applicants to register 'Diehl' in the United Kingdom. They failed initially but obtained registration in 1960 after they had been informed by the applicants that the applicants intended to register the mark in their name.

The grounds for refusing the application to remove the mark are set out in the following passage in the judgment of Buckley J (at p 443):

> ... the respondent had carried on trade in supplying Diehl machines for nearly seven years before it applied for registration in June 1960 under a corporate name which included the word 'Diehl' and in a way which prominently associated that word written in the distinctive script with its own business and with the machines in which it dealt. It did this as the body solely and exclusively entitled to deal in Diehl machines in this country, as the body engaged in regularly maintaining nearly all Diehl machines in this country and as the sole source of supply of spare parts for such machines. The word 'Diehl' itself is not manifestly a manufacturer's mark and is equally appropriate for use as an importer's mark. In these circumstances it would in my view be impossible for me to come to the conclusion that the applicant has displaced the prima facie evidential effect of the registration of the respondent as proprietor of the mark. Indeed I reach the conclusion of fact and hold that at the time of the registration of the mark it was capable of distinguishing the goods in relation to which it was used as the respondent's goods and was in fact distinctive of such goods as being goods dealt in by the respondent.

Buckley J also distinguished the decision of *Re Inescourt's Trade Mark*[1] on two grounds:

> First, Miss Inescourt, the importer, was not entitled to an exclusive right to sell the goods there in question in this country. Secondly, the goods as imported and sold by her carried the disputed mark, Le Vampire upon them in such a way as to make it clear to the beholder that it was the mark of the Swiss manufacturer used to distinguish goods of his manufacture. I may add that the importer applied for registration only three months after she began importing.

It should be noted that the proceedings in *Re Diehl Trade Mark*[4] was for rectification of the register and that the decision of Buckley J was based on a finding of fact that in the circumstances of that case the initial registration of 'Diehl' by the English importer was not wrongful at the time of the registration. One important circumstance expressly relied upon by Buckley J was that the respondent had traded under a corporate name which included the name 'Diehl' for seven years before it applied for registration. In my view, the decision of *Re Diehl Trade Mark*[4] must be viewed in the light of its own facts. In *North Shore Toy*[2] and the *Thunderbird* case,[3] the New Zealand court and the Australian High Court were both constrained to distinguish *Re Diehl Trade Mark*[4] on the ground that there it was assumed that the initial registration was valid.

In the present case, the evidence is that at the time when Ultra registered the two marks, Ultra had no claim to ownership but merely a limited user thereof. They were not capable of distinguishing in Singapore the Chuifong Toukuwan as the goods of Ultra's or the defendant's or were not in fact distinctive of such goods as being goods dealt in by either of them, for the following reasons. Firstly, there was a substantial prior user by the plaintiffs in Singapore of the word mark 'Nan Lien' and the design mark before Ultra applied to register them as trademarks. They were common law trademarks belonging to the plaintiffs at that time. Secondly, although the words 'Nan Lien' by themselves were not manifestly a manufacturer's mark, they were in fact used in relation to the Chuifong Toukuwan as a manufacturer's mark on the boxes (P2), the plastic bands, the labels on the bottles and the leaflets. The association of both the word mark and the design mark with the name of the first plaintiff could not have escaped the attention of the consumers. Thirdly, unlike the mark in *Re Diehl Trade Mark*,[4] the words 'Nan Lien' were not the name or part of the trade name of Ultra or of the defendants. The decision of *Re Inescourt's Trade Mark*[1] cannot be distinguished on this ground. This situation did not change with the assignment. The defendants have not called any consumer or other independent witness to testify that Nan Lien Chuifong Toukuwan were associated exclusively with the defendants.

As for the defence that the defendants purchased the trademarks from Ultra as 'a bona fide purchaser for value without notice of the said trademarks' (see para 10 of the defence), I have some difficulty in understanding what this means. Presumably what the defendants meant is that they had no notice of the beneficial title of the plaintiffs in the said trademarks. No authority has been cited to demonstrate that such a defence exists in so far as the acquisition of a trademark is concerned. I do not think that such a defence exists for the following reasons:

(1) either the assignor has the right, absolute or limited, to a trademark or he has not; if he has not, the assignee gets nothing; if he has, the assignee gets what the assignor has, and (2) a trademark cannot be sold as a commodity; it can only be sold for the purpose of or in connection with its being used in relation to goods for the purpose of indicating, or so as to indicate, a connection in the course of trade between the goods and some person having the right as proprietor.

Therefore, no assignee can disclaim any knowledge of the connection between a trademark and the goods under which they are being sold (whether or not the goods are manufactured or imported by the registered proprietor of or user of the trademark). When the defendants agreed tooo purchase the trademark applications from Ultra, they were fully aware that the word mark 'Nan Lien' and the design mark were being used to indicate the connection between the Chuifong pills and the plaintiffs collectively. Furthermore, Chu was aware, as Ong had told him, that whoever got the agency was entitled to use the trademarks in connection with such goods. Whatever rights the defendants had in the trademarks could not exceed the rights that Ultra had in them, and on a most favourable construction of the relationship between the plaintiffs and the defendants in the light of the evidence, such rights ceased on the day their agency was terminated. If indeed Ultra or the defendants had absolute ownership of the trademarks, it would have been unnecessary for the defendants to seek the consent of the plaintiffs to make certain changes to the boxes.

The plea of bona fide purchaser for value without notice therefore fails.

There is another ground on which the defendants must be restrained from using the trademarks to pass off their own pills as Nan Lien Chuifong Toukuwan. The plaintiffs are still manufacturing and selling their rheumatism pills under the 'Nan Lien' mark in many parts of the world. They are also entitled to sell their products in Singapore, Malaysia and Indonesia under those marks but for the claim of the defendants to ownership of the registered trademarks. Confusion is likely to be caused in the trade if both parties sell their products as 'Nan Lien Chuifong Toukuwan'. In *Re Diehl Trade Mark*,[4] one of the arguments relied upon by the German manufacturer for rectification of the register was that the use of the mark 'Diehl' by the English importer would be likely to deceive or cause confusion if not used in connection with the machines of the manufacturer. Buckley J rejected this argument in the following words:

> In the case of *Thorne & Sons Ltd* v *Pimms Ltd* (1909) 26 RPC 221 the defendant had registered a mark including the words 'Glen Thorne, Old Highland Whisky'. The plaintiff had allowed this mark to go on the register upon the footing that, as was then the case, the defendant would only sell whisky of the plaintiff's manufacture known to the public as Thorne's Whisky. At the time of registration neither party had any notion that any severance of this relationship between the parties would occur. The defendant subsequently ceased to buy supplies of whisky from the plaintiff and began to sell other whisky under the label which constituted the registered mark. The learned judge held that the label thereupon began to be calculated to deceive; that is to say, to deceive members of the public who bought whisky purveyed by the defendant under the label in question into believing that they were buying whisky made by the plaintiff. The defendant was directly responsible for any deception of this kind which occurred.
>
> In the present case, on the other hand, there is no evidence to suggest that the respondent has sold or intends to sell under its registered mark any machine not manufactured by the applicant. The mark is, in my view, for reasons already indicated in this judgment, distinctive of goods marketed by the respondent, just as Pimms' mark was distinctive of whisky sold by Pimms'. It may be that, if the respondent were to use its registered mark in relation to goods dealt in by the respondent but not of the applicant's manufacture, such use would be held to be likely to deceive or cause confusion. That state of affairs has not arisen and I am not called upon to decide the point. So long, however, as the respondent continues to use its mark in respect only of machines or parts made by the applicant, the use of the mark will in no way deceive the public. The respondent's position in the present case is, therefore, very different from that of the defendant in *Thorne* v *Pimms*.

Now, the defendants here have admitted using the trademarks on Chuifong pills manufactured by themselves since January 1980 even *before* the termination of the defendants' agency by the plaintiffs. Since the trademarks were intended to be used to signify Chuifong Toukuwan manufactured by the plaintiffs, the defendants had deliberately passed off their own pills for those manufactured by the plaintiffs. They have even deliberately represented that their pills were made by a company called Nan Lien Pharmaceutical Co Sdn Bhd when they were not. Such intended use was and would be likely to deceive or cause confusion among the public as to the origin of the pills sold by them. In this respect too, *Re Diehl Trade Mark*[4] does not assist the defendants' case.

In my view, the present case is virtually on all fours with *Re The Australian Wine Company Ltd.*[5] In that case, the sole consignee in England of the wines grown at the vineyards in South Australia known as the Auldana vineyards under an agreement dated 5 July 1872 registered in his own name, in January 1880, the word 'Auldana' as a trademark in respect of wines, intending, as he stated on affidavit, to use the registration 'for the sole purpose of using it in the protection of the wines coming from the 'Auldana' vineyards during the continuance of the agreement of July 1872' (at p 428n). He subsequently went into liquidation and the trustee in the liquidation sold and in August 1882 assigned his business and the trademark to the Australian Wine Company Ltd who procured themselves to be registered as the subsequent proprietors of the trademark. The assignee then used the trademark on wines not produced at the Auldana vineyards.

On an application made in 1889 by the owners for the time being of the Auldana vineyards to rectify the register, Chitty J held that the trademark had originally been rightfully registered for the protection of the owners of the vineyard and that the register must be rectified by removing therefrom the name of the Australian Wine Company Ltd and inserting instead the owners of the vineyards as proprietors. The relevant part of his judgment read as follows:

> That is a statement (at p 428n and quoted earlier) which shows, if I give credit to it, as I do, that he made the registration rightly, and he made it for the benefit of the owners of vineyards. [Counsel for the assignee] said it was only done for the protection of the wine. No man cares to protect the wine except as a matter of trade; in other words, to protect it as the wine of a particular grower, and for the benefit of some men. It is not for the sake of the wine itself that the protection is required. That being so, it seems to me that, as between the owners of the vineyards on the one hand and [the assignor] on the other, [the assignor] did not intend by that registration to oust the owners of that which was undoubtedly their trademark, and not his; and then, if the agreement has come to an end, as I shall show in a moment or two that it has, it appears to me that that was the registration for the benefit of the owners made by a man who, though he used his own name, intended it to be for the protection of the owners of the vineyards, and that he made the registration, at any rate, in his own name and for his own benefit to this extent only, namely, so long as he had an interest in the business.

Similarly, in the present case, the intention of Ong in registering the two trademarks in the name of Ultra was done for the protection of the Chuifong Toukuwan he was then importing from the plaintiffs ie to protect them as the products of the defendants.

For the reasons given above, the plaintiffs have made out their case for the following reliefs which I hereby grant:

(a) that the plaintiffs or one or more of them were and still are the owners of the registered trademarks nos 56886 and 58670;

(b) that the defendants assign or cause to be assigned forthwith to the plaintiffs or any one or more of them, the said trademarks;

(c) that the defendants whether acting as Luen Hup Medical Co or by themselves or their agents or servants or otherwise be and they are hereby restrained from passing off, attempting to pass off, causing, enabling or assisting others to pass off rheumatism pills as those of the plaintiffs' or any of them as the medicine of the plaintiffs' or any of them by the use in connection therewith the said trade name 'Nan Lien Pharmaceutical Co', the said trademark and or the distinctive get-up described in para 12 of the statement of claim ('the said get-up') or any colourable imitation thereof or by any other means or doing within the jurisdiction of the court any act calculated or intended to have the same effect in any other country;

(d) that the defendants do deliver up all boxes, leaflets, labels, Chuifong Toukuwan pills and other articles and papers in the defendants' possession custody power or control for the purpose of destruction, and failing such delivery within seven (7) days of this order, the defendants do permit such persons, not exceeding three, as may be duly authorized by the plaintiffs and in addition at least one member or employee but not more than three such members or employees of the plaintiffs' solicitors to enter forthwith the premises of the defendants and any other premises under the control of the defendants or at any outhouse or any other building which belongs to the defendants at any hour between 8 o'clock in the morning and 5 o'clock in the evening for the purpose of removing into the plaintiffs' solicitors' custody any of the articles and documents which relate to the said medical pills made in breach of any trademark owned by the plaintiffs;

(e) that an account be taken of the profits made by the defendants in selling pills manufactured by them as Nan Lien/Nan Lien Chuifong Toukuwan since January 1980;

(f) that the defendants do deliver all invoices, bills, ledgers, records and other documents relating to the purchase sale distribution or advertising of the said medical pills within seven days of this order for the purpose of enabling the plaintiffs to inspect and photocopy such said documents, failing which the defendants do permit such persons, not exceeding two, as may be duly authorized by the plaintiffs and in addition at least one member or employee but not more than four such members or employees of the plaintiffs' solicitors to enter forthwith the premises of the defendants and any other premises in the possession or under the control of the defendants or any outhouse or any other building which belong to the defendants at any hour between 8 o'clock in the morning and 5 o'clock in the evening for the purpose of inspecting and photocopying all invoices bills ledgers records and any other documents relating to the purchase sale distribution or advertising of the said medical pills;

(g) that the defendants do pay the plaintiffs costs of this action to be taxed, such costs to limit the costs for perusal of the plaintiffs' bundle to 10% thereof;

(h) that there be liberty to apply.

Order accordingly.

Solicitors: *G Raman & Partners*; *Donaldson & Burkinshaw.*

Reported by *Wong Kim Fatt*